

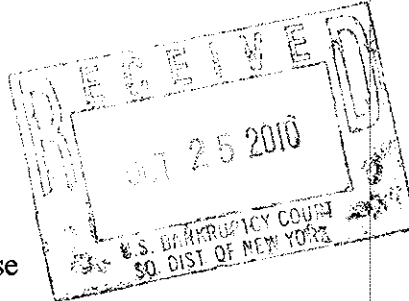


P.O. Box 1995 · Vancouver, WA 98668-1995
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VIA FEDERAL EXPRESS

October 22, 2010

United States Bankruptcy Court
Alexander Hamilton Customs House
One Bowling Green
New York, New York 10004-1408



Weil, Gotshal & Manges
767 Fifth Avenue
New York, New York 10153-0119

RE: Lehman Brothers, Chapter 11 Case No. 08-13555 (JMP),
Amended Calculation of Damages of Counterparty City of
Vancouver Washington Downtown Redevelopment Authority
(121903 VNACLSF).

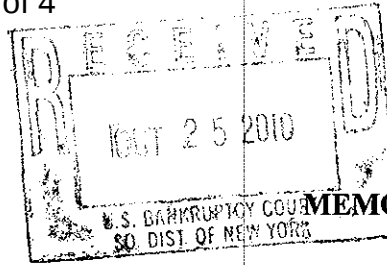
Enclosed please find an amended calculation of damages for the captioned claim.

Sincerely,

Brent D. Boger
Assistant City Attorney

Enclosure (as stated)

PiperJaffray.



MEMORANDUM

To: Lloyd Tyler – City of Vancouver
Carrie Lewellen – City of Vancouver
Brent Borger – City of Vancouver

From: James B. Sult 602-808-5425

RE: Vancouver DRA Conference Center and Hotel Project DSRF Damage Calculation

The DRA entered into a Reserve Fund Forward Purchase and Sale Agreement (“Agreement”) dated December 1, 2003 with Lehman Brothers Special Financing Inc. (“Provider”) to provide guaranteed investment earnings at an annual interest rate 5.05%, payable semiannually, on the principal amount of the DSRF of \$4.07 million. As a result of the bankruptcy filing of the Provider, the Provider has not delivered on its obligations under the Agreement since January 1, 2009. We have prepared an estimate of the economic impact or damages to the Vancouver Downtown Redevelopment Agency (“DRA”) regarding investment earnings of the Debt Service Reserve Fund (“DSRF”) for the DRA’s Conference Center and Hotel Project Revenue Bonds, Series 2003A as a result of the Provider’s non-performance.

Our analysis compares the guaranteed interest payments pursuant to the Agreement to actual interest earnings that the DRA has actually received on the DSRF from January 1, 2009 through October 1, 2010 and estimated earnings from October 1, 2010 through January 1, 2034, assuming that the DSRF was invested in a similar fashion as the Agreement on October 1, 2010.

Assumptions

- 1) The economic impact, or damage, is calculated as of January 1, 2009, the date of the last interest payment from the Provider pursuant to the Agreement.
- 2) Actual interest earnings on the DSRF were provided by the City of Vancouver.
- 3) Future estimated earnings are based on a rate of 3.5% which is an estimate of the market rate for an investment similar to the Agreement as of October 1, 2010.
- 4) The economic impacts, or damages, are based on the present value of the difference of the actual (1/1/2009 through 10/1/2010) or future estimated earnings (10/1/2010 through 1/1/2034) and the earnings amounts for the same time periods guaranteed under the agreement. The earnings differentials are present valued to January 1, 2009 at the actual earnings rate (1/1/2009 through 10/1/2010) and the estimated future earnings rate of 3.5% (10/1/2010 through 1/1/2034).

Results

The resulting estimated damages to the DRA total \$1,267,184. The detailed calculation is attached hereto.

CC: Bill Doyle – Orrick
Attachment

APPENDIX A
CALCULATION DETAIL

Vancouver Downtown Redevelopment Agency
Conference Center and Hotel Project Financing

DSRF Principal \$ 4,070,000

	Original DSRF Interest per Lehman Agmt. @ 5.05%	Actual Investment Earnings (1-1-09 through 10-1-11)				New Investment Agreement Projected Earnings		
		Actual Interest Received	Actual Interest Rate	Difference	PV to 1/1/09 @ Actual Rate	Interest @ 3.50%	Difference	PV to 1/1/09 @ 3.50%
1/1/2009								
7/1/2009	102,768	12,529	0.625%	90,239	89,957	-	-	-
1/1/2010	102,768	9,559	0.462%	93,209	92,779	-	-	-
7/1/2010	102,768	4,142	0.200%	98,626	98,330	-	-	-
10/1/2010	51,384	3,958	0.380%	47,426	47,112	-	-	-
1/1/2011	51,384					35,613	15,771	14,714
7/1/2011	102,768					71,225	31,543	28,922
1/1/2012	102,768					71,225	31,543	28,424
7/1/2012	102,768					71,225	31,543	27,935
1/1/2013	102,768					71,225	31,543	27,455
7/1/2013	102,768					71,225	31,543	26,983
1/1/2014	102,768					71,225	31,543	26,519
7/1/2014	102,768					71,225	31,543	26,063
1/1/2015	102,768					71,225	31,543	25,614
7/1/2015	102,768					71,225	31,543	25,174
1/1/2016	102,768					71,225	31,543	24,741
7/1/2016	102,768					71,225	31,543	24,315
1/1/2017	102,768					71,225	31,543	23,897
7/1/2017	102,768					71,225	31,543	23,486
1/1/2018	102,768					71,225	31,543	23,082
7/1/2018	102,768					71,225	31,543	22,685
1/1/2019	102,768					71,225	31,543	22,295
7/1/2019	102,768					71,225	31,543	21,912
1/1/2020	102,768					71,225	31,543	21,535
7/1/2020	102,768					71,225	31,543	21,164
1/1/2021	102,768					71,225	31,543	20,800
7/1/2021	102,768					71,225	31,543	20,443
1/1/2022	102,768					71,225	31,543	20,091
7/1/2022	102,768					71,225	31,543	19,745
1/1/2023	102,768					71,225	31,543	19,406
7/1/2023	102,768					71,225	31,543	19,072
1/1/2024	102,768					71,225	31,543	18,744
7/1/2024	102,768					71,225	31,543	18,422
1/1/2025	102,768					71,225	31,543	18,105
7/1/2025	102,768					71,225	31,543	17,793
1/1/2026	102,768					71,225	31,543	17,487
7/1/2026	102,768					71,225	31,543	17,187
1/1/2027	102,768					71,225	31,543	16,891
7/1/2027	102,768					71,225	31,543	16,601
1/1/2028	102,768					71,225	31,543	16,315
7/1/2028	102,768					71,225	31,543	16,034
1/1/2029	102,768					71,225	31,543	15,759
7/1/2029	102,768					71,225	31,543	15,488
1/1/2030	102,768					71,225	31,543	15,221
7/1/2030	102,768					71,225	31,543	14,959
1/1/2031	102,768					71,225	31,543	14,702
7/1/2031	102,768					71,225	31,543	14,449
1/1/2032	102,768					71,225	31,543	14,201
7/1/2032	102,768					71,225	31,543	13,957
1/1/2033	102,768					71,225	31,543	13,717
7/1/2033	102,768					71,225	31,543	13,481
7/1/2034	102,768					71,225	31,543	13,021
Total	5,138,375	30,188		329,498	328,179	3,311,963	1,466,726	939,005

Summary:

Gross Difference (Original guaranteed earnings versus actual earnings from 1/1/2009 through 10/1/2010)	329,498
PV Difference (Original guaranteed earnings versus actual earnings from 1/1/2009 through 10/1/2010)	328,179
Gross Difference (Original guaranteed earnings versus projected earnings from 10/1/2010 through 1/1/2034)	1,466,726
PV Difference (Original guaranteed earnings versus projected earnings from 10/1/2010 through 1/1/2034)	939,005

Total Present Value Damages as of January 1, 2009	\$ 1,267,184
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